

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-10 ISO-00 AID-05 CIAE-00 DODE-00
PM-05 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01
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R 111307Z JAN 78
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 4627
USDOC WASHDC
AMEMBASSY JIDDA
AMEMBASSY TOKYO
AMEMBASSY ABU DHABI
AMEMBASSY KUWAIT
AMEMBASSY PARIS

C O N F I D E N T I A L AMMAN 0345

DEPARTMENT PASS AID

E.O. 11652: GDS
TAGS: EFIN, EMIN, EIND, JO
SUBJECT: STATUS OF JORDAN FERTILIZER INDUSTRIES COMPANY

REF AMMAN 9046 (NOTAL)

1. RANKING OFFICIAL OF JORDAN FERTILIZER INDUSTRY
COMPANY (JFIC) HAS CONFIDENTAILLY PROVIDED TO EMBASSY
FOLLOWING INFORMATION ON PRESENT STATUS OF FOREIGN
PARTICIPATION AND FINANCING FOR JORDAN'S \$330 MILLION
PHOSPHATIC FERTILIZER PROJECT.

2. JFIC AND MITSUI HAVE INITIALED AGREEMENT BY WHICH
MITSUI WILL PROVIDE TECHNICAL ADVICE TO JFIC FOR
PERIOD OF FIVE YEARS. FORMAL SIGNING OF CONTRACT IS
TO TAKE PLACE IN AMMAN ON JANUARY 16, 1978.

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WITHIN NEXT SIX MONTHS OR SO, JFIC EXPECTS TO
SIGN MARKETING AGREEMENT WITH MITSUBISHI.

3. OF PRESENT ESTIMATED TOTAL COST OF FERTILIZER
PROJECT, \$50 MILLION IS FOR CONSTRUCTION OF PORT
FACILITY. THOUGH FOR PRIMARY USE BY JFIC, BERTH
WILL BE OWNED BY GOJ AS PART OF PORT COMPLEX OF

AQABA. SAUDI ARABIA AND ISLAMIC BANK ARE EXPECTED TO FINANCE BERTH CONSTRUCTION; AGREEMENT-FOR ABOUT HALF OF \$50 MILLION COST HAS REPORTEDLY BEEN ASSURED ALREADY.

4. PROJECT EQUITY, NOW \$60 MILLION WILL BE RAISED TO \$100 MILLION. GOJ IS TO HOLD 26P/C OF EQUITY; JORDAN PHOSPHATE MINES COMPANY (OVER 90 PC OWNED BY GOJ) WILL HOLD 25 PC; IFC HS 5 PC; AND 10 PC WILL BE AVILABLE TO PRIVATE INVESTORS. REMAINING 34 PC MAY BE IN PART OFFERED TO JORDAN PHOSPHATE MINES COMPANY IN ORDER TO SECURE FAVORABLE PRICING OF RAW PHOSPHATE ROCK OR TO ABU DHABI AND/OR KUWAIT (SEE PARA 5) IN ORDER TO ATTRACT DEBT FINANCING FROM THEM. ANY EQUITY REMAINING AFTER THESE NEGOTIATIONS ARE COMPLETED WILL BE OFFERED TO PRIVATE INVESTORS.

5. FOLLOWING DEBT FINANCING HAS BEEN ASSURED:

- A) \$30 MILLION FROM ABU DHABI (ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT),
- B) 45 MILLION FRENCH FRANCS (ABOUT \$9 MILLION) AS FRENCH TREASURY LOAN,
- C) 205 MILLION FRENCH FRANCS (ABOUT \$42 MILLION) FROM COFACE, AND
- D) \$30 MILLION FROM IFC.

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IN ADDITION, JFIC WILL BE PREPARED TO OFFER ABU DHABI 15 PC OF TOTAL EQUITY IN EXCHANGE FOR RAISING ITS CONTRIBUTION OF DEBT CAPTIAL TO \$50 MILLION. KUWAIT IS TO BE GIVEN SIMILAR OFFER, DEPENDING ON NATURE OF AGREEMENT W/ABU DHABI, IN WHICH JFIC OFFER OF EQUITY WILL BE DEPENDENT ON KUWAITI WILLINGNESS TO CONTRIBUTE DEBT CAPITAL. FINALLY, JFIC BELIEVES IT CAN EASILY SECURE AT LEAST \$40 MILLION FROM EURO-MARKET. THIS POTENTIAL SOURCE OF DEBT FINANCING WILL BE PLAYED AS "ACCORDION", I.E. TO MAKE UP DIFFERENCE BETWEEN \$170 MILLION TOTAL DEBT FINANCING NEEDED AND THAT PROVIDED BY OTHER SOURCES.

6. BOARD MEMBERS OF JFIC HAD INTENDED TO MAKE VISIT TO SAUDI ARABIA AND GULF THIS WEEK TO CONSULT WITH POTENTIAL ARAB PARTICIPANTS IN FINANCING OF FERTILIZER PROJECT. PRESS OF OTHER BUSINESS ON BOARD MEMBERS HAS FORCED POSTPONEMENT OF TRIP. AS FAR AS WE KNOW IT HAS NOT BEEN RE-SCHEDULED, BUT WILL BE AS SOON AS POSSIBLE.
PICKERING

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